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Real Possibilities in

EXCEPTION

Arizona

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August 4, 2017

Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona, 85007

Arizona Corporation Commission

DOCKETED

AUG 4 2017

DOCKETED BY

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RE: **AARP Public Comments** on the Recommended Opinion and Order
Arizona Public Service Company Rate Case
Docket No. **E-01345A-16-0036**

E-01345A-16-0123

Tom Forese, Chairman
Commissioner Bob Burns
Commissioner Boyd Dunn
Commissioner Doug Little
Commissioner Andy Tobin:

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With 880,000+ members in the state of Arizona, AARP appreciated the opportunity to participate in this Arizona Public Service Company ("Company" or "APS") electric rate case. AARP formally intervened and participated in the settlement process, but ultimately was not able to join the settlement agreement due to disagreements with certain residential rate design provisions contained in the proposed Settlement Document.¹ AARP believes strongly that the provisions we contest would significantly limit the *choice* and *control* that consumers have over monthly energy bills.

The Administrative Law Judge's Recommended Opinion and Order ("ROO") did not propose correcting the defects in the Settlement Document. AARP respectfully asks that the Arizona Corporation Commission ("Commission") review these issues and

¹ Settlement Document, filed in this docket by the ACC Staff on March 27, 2017.

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make amendments to better protect electric consumers and grant lower-usage APS customers more *choice* and *control* over their monthly expenses.

Electricity is not an option in our hot climate!

The provisions in the proposed Settlement Document that most concern AARP are: 1) the dramatic increase in the fixed charge for most R-Basic customers to \$15.00, 2) restricted residential rate design options for new customers, starting on May 1, 2018, and 3) changes to the on-peak hours for weekday Time-of-Use rates to 3:00pm-8:00pm.

High Fixed Charges

The current fixed Basic Service Charge ("BSC") for most normal residential consumers is \$8.67 monthly. The Settlement Document would nearly double that amount to \$15.00 for most lower-usage customers (R-Basic), and \$20.00 per month for many households that use more than the average (R-Large). \$20 a month is nearly the equivalent of an annual \$240 tax! *A 130% increase from \$8.67.* It's the equivalent of one month of groceries for many people in Arizona, especially seniors on fixed incomes. And this "tax" is charged before you even turn on the lights.

Increasing the fixed component of residential electric rates rather than the increasing the energy component, produces several harms. It reduces the control that residential customers have over their bills, it harms low-income customers (who tend to use less than normal), it is punitive to apartment dwellers who have much lower than average costs, and further, it mutes the price signal to customers to conserve energy—to become more energy efficient, and to reduce their utility costs. At a minimum, AARP urges the Commission to amend the ROO to limit the Basic Service Charge increase for

R-Basic customers to *no more than* \$13.00 per month.² \$13 a month is what the Commission determined the appropriate monthly fixed charge to be in the recent UNS case.

Restriction of Customer Choice

AARP believes that customers (not APS) should be able to choose their own rate plan, rather than being forced to only take either a demand rate plan or a time-of-use rate plan. All residential customers deserve the right to choose from *all three* applicable rate plans, including a Basic rate plan, already the preference of many. Subsection 19.1 of the Settlement Agreement. "new customers or customers on another rate" would be denied the ability to initially choose Basic rate plans after May 1, 2018.³ Those customers would be forced, for a "trial period" of 90 days, to initially choose between a demand rate plan or a time-of-use (TOU) rate plan. Will customers be too busy at the end of 90 days to notice a bill insert? Or a letter from APS which is not the monthly bill? Will it even be opened? Low usage residential customers who typically choose a Basic rate plan to hold down their costs would be denied that option, being forced to "pick their poison" among two other plans that they may not want. Clearly, this burdensome and contested provision aims to unfairly and significantly limit customer choice, and may drive up many Arizonan's monthly electric bills.

There is considerable uncertainty about who would be interpreted to be a "new customer" after May 1, 2018.⁴ Consider the example of a couple with an empty nest that desires to downsize by moving from their home where they have been a long-time APS customer into a smaller home that is still located within the APS service territory. It is

² Refer to pp. 38-39 and 46 of the ROO.

³ Ibid.

⁴ See Transcript pp. 283-286, 486-488.

AARP's understanding that this couple would be denied the ability to choose an R-Basic plan after May 1, 2018 because they would now be considered a "new customer". AARP respectfully requests the Commission amend the ROO to delete Subsection 19.1 from the Settlement Document proposal.⁵

On Peak Hour Expansion for Time-of-Use Rates

AARP also opposes the proposed peak period change from the current TOU rate plan weekday hours to a new and later 5-hour peak period of 3:00pm-8:00pm. This late in the day peak period will be unmanageable and costly for a lot of people. Families with young children, the elderly sheltering from the evening heat, the sick, and the self-employed will be among those that could feel the impact the hardest. Commissioners may take note of Salt River Project's EZ-3 rate which is much more consumer friendly and has a "peak" period from 3-6 p.m. AARP respectfully requests that the Commission amend the ROO to preserve the current on-peak for TOU customers.⁶

On each of the three issues described in this letter, AARP supports the positions and recommended Exceptions filed by the Southwest Energy Efficiency Project ("SWEEP") in this docket. Please take those exceptions into account, along with the additional arguments contained in AARP's Post-Hearing Brief, as you deliberate upon this important matter.

Sincerely,


Dana Kennedy
AARP Arizona State Director

⁵ Refer to pp. 47-48, 53-54 of the ROO.

⁶ Refer to pp. 54-55, 58-59 of the ROO.

CC: Parties of Record to Docket No. **E-01345A-16-0036**